



Department of State

TELEGRAM

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OF OPINION EXIST ON PROSPECT FOR MUNDT AMENDMENT BEING DEFEATED

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OR MODIFIED IN COMMITTEE OR ON FLOOR, MANY OBSERVERS NOT OPTIMISTIC
THAT IT OR OTHER LEGISLATION OF SIMILAR IMPORT CAN BE AVOIDED
IN LATE AUGUST LINDER COVERED CONGRESSIONAL SITUATION FULLY
WITH IMI PRESIDENT SIGLIENTI AND WITH OTHER ITALIAN OFFICIALS
IN ROME, AS WELL AS WITH ITALIAN AMBASSADOR ORTONA IN WASHINGTON.

2. DEPT PRESENTLY UNABLE ASSESS LIKELIHOOD OF US PRIVATE BANK
PROVIDING MEDIUM-TERM FINANCING FOR US PRODUCTS DESTINED FOR
AUTO PLANT. BANKS ARE LIKELY BE INFLUENCED BY A NUMBER OF FACTORS
INCLUDING (A) KNOWN STRONG CONGRESSIONAL OPPOSITION TO FIAT
DEAL; (B) ADMINISTRATION'S SUPPORT OF US INDUSTRY PARTICIPATION
IN TRANSACTION; AND (C) BANKS' RELATIONSHIPS TO ITALIAN PARTIES
TO TRANSACTION. RECEPTIVENESS OF COMMERCIAL BANKS WOULD ALSO
DEPEND HEAVILY ON MATURITY, AMOUNTS, AND INTEREST RATE DESIRE.

3. THE BASIC ISSUES WHICH WOULD INFLUENCE CONGRESSIONAL CONSIDERATION
RE EXPORT LICENSING WOULD PROBABLY EXIST NO MATTER WHAT FORM
OF FINANCING WAS ULTIMATELY ADOPTED. WE DO NOT THEREFORE BELIEVE
THAT EFFORTS TO ARRANGE PRIVATE BANK FINANCING WOULD IN THEMSELVES
TRIGGER CONGRESSIONAL ACTION SUFFICIENT TO BLOCK LICENSING FOR

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FIAT PLANT. THERE HAS BEEN NO CHANGE IN US VIEW THAT MOST IF
NOT ALL OF THE EQUIPMENT THAT MAY BE SOUGHT FROM THE US FOR
THIS PLANT CAN BE LICENSED PURSUANT TO EXPORT CONTROL ACT.

4. EMBASSY MAY AT ITS DISCRETION PASS SUBSTANCE ABOVE TO ITALIANS
KATZENBACH

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INFO EUR 25, EA 19, SS 35, SP 02, L 03, H 02, INR 07, P 04, CIA 04, DO 01,

NSAE 00, RSC 01, USIA 12, NSC 10, COM 08, TRSY 08, XMB 06, FRB 12,

STR 08, /176 R

DRAFTED BY VE/DMA/IP/JBAMSTUTZ
APPROVED BY E/MR SOLOMON
EXEWT/MR WRIGHT
H/MR SCHNEE
EUR/MR STOESSEL
COMMERCE/MR FEER
EXIMBANK/MR MIDDLETON

P R 220201Z SEP 67
FM SECSTATE WASHDC
TO AMEMBASSY MOSCOW PRIORITY 0032
INFO AMEMBASSY ROME 0034
AMCONSUL TURIN 0002

C O N F I D E N T I A L STATE 41928

REF: MOSCOW 1126

SUBJECT: FIAT-SOVIET AUTO PLANT

1. ON SEPTEMBER 12 AND 13, HOUSE BANKING AND CURRENCY COMMITTEE HELD NEW SERIES OF HEARINGS ON EXIMBANK BILL. IN TESTIMONY BEFORE COMMITTEE, SECRETARY TROWBRIDGE AND EXIMBANK PRESIDENT LINDER OPPOSED MUNDT AMENDMENT. COMMITTEE IS NOT EXPECTED TO TAKE FURTHER ACTION FOR ANOTHER WEEK AT LEAST AND DATE FOR HOUSE FLOOR ACTION NOT SET. WHILE CONSIDERABLE DIFFERENCE

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